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Environment Programme**

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ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS

30 October 1997

Dear Ms. Dowdeswell,

The Advisory Committee has considered the revised budgets for 1996-1997 and 1998-1999 of the Environment Fund, presented in a report addressed to the Advisory Committee dated 17 October 1997. In its report of 17 December 1996, which should be read in conjunction with this letter, the Committee had indicated that the revised estimates for 1996-1997, examined by the Committee at the time, had been prepared without final details on contributions or expenditures for 1996, and that assumptions had been made for 1998-1999 regarding salary costs, inflation, vacancy rates and currency fluctuations more than a year ahead of implementation of the budget. Consequently, the Committee invited the Governing Council of UNEP to request a report in the fall of 1997 on any significant changes that could impact on the management and support costs budget and the programme itself so that the Advisory Committee could report back to the Governing Council in this regard.

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* UNEP/GCSS.V/1.

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The Advisory Committee is aware that the Governing Council, during its nineteenth session, revised the appropriation of Fund resources for 1996-1997 downwards by 25% to \$102.36 million; and approved and appropriation of Fund resources for 1998-1999 of \$107.5 million for the overall expenditure of the management and administrative support costs budget (MASC), Fund Programme activities and a Fund programme reserve, as contained in its decision 19/22.

The Committee also notes that on the basis of actual expenditures and changes in budgetary assumptions the Secretariat of UNEP further reduced its MASC budget estimates for 1996-1997 by \$3,244,900 or 9.3%, from the \$34,861,400, approved in decision 19/22, to \$31,616,500. As indicated in paragraph 12 of the report received by the Committee staffing costs are responsible for 80% of these reductions.

The Committee also notes that the revised 1998-1999 MASC apportionment, approved in decision 19/22, is \$27.5 million. As indicated in paragraph 15, at 1996-1997 prices, this is 22.1% less than the new and revised appropriation for 1996-1997. The reductions of \$5,092,700 required to comply with the Governing Council's decision are indicated in paragraph 16 and table 16 of the report presented to the Committee.

The Advisory Committee notes that the initial target of \$130 million in contributions for 1996-1997 was never achieved, and that the revised appropriations, contained in decision 19/22, were approved on the basis of estimated contributions of \$97 million. Furthermore, the appropriations for 1998-1999 were approved by the Governing Council (in decision 19/22) on the basis of estimated contributions of approximately \$105 million for the biennium. The Committee notes, however, as indicated in paragraph 12 of the report presented to the Committee, that if the level of contributions of 1998-1999 remains the same as that of 1996-1997, UNEP would end that biennium with a deficit balance of approximately \$14.22 million. Moreover, UNEP would be forced to downsize "significantly its Fund Programme activities for the biennium 1998-1999 from US\$75 million to \$60 million which represents a 20% reduction."

The Committee reiterates that the issue of overall resources of UNEP continues to be of very serious concern. The Advisory Committee reaffirms its belief that the level of resources to be made available to UNEP should be clearly defined in advance and in consultation with Member States, so as to provide a more secure and reliable base for planning and management of resources, instead of the current practice of restoring to ad hoc reprogramming in response to factuations in the provision of resources. In this regard, the Committee's observation of last year that the volume of trust fund resources had increased and that there was a need for greater transparency in the programming, administration and management of trust funds still stands. The Committee is also of the view that the Governing Council should clarify the role of the Executive Director and that of the Council itself in respect of the administrative management and programming of all trust fund activities.

The Committee understands that the Governing Council, at its special session to take place in February 1998, will address the issue of reform in light of the programme for reform laid out by the Secretary-General in his report A/51/950. Paragraph 176 of the Secretary-General's report states that

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"high priority must be given to according it the status, strength and access to resources it requires to function effectively as the environmental agency of the world community". In view of the serious financial situation of UNEP, the Advisory Committee agrees that there is an urgent need to seriously consider the future of UNEP in the context of the reform process. Besides such issues as harmonization and cooperation with various bodies dealing with environment-related activities, such consideration must also address the establishment of sound funding and clear priorities for the environment programme if UNEP is to be able to discharge its functions in an efficient and coherent manner.

With regard to the Mercure project, the Advisory Committee remains concerned at the lack of clarity regarding total resources invested in the system, its structure, maintenance and operating costs, and future viability of the system. The Committee notes that no provision is made under operational costs for 1999. Furthermore, the issue of the connectivity of Mercure system with the United Nations communications network remains to be addressed. The Committee, however, will present its further views on the subject once it reviews the report requested from the Board of Auditors in this regard.

The Advisory Committee would be grateful if you could place this letter before the Governing Council at its next special session.

Yours sincerely,

(signed)

C. S. M. Mselle
Chairman
